optioned in areas adjacent to the various specific projects which are currently being investigated. Diamond drilling, geophysical and geochemical surveys are currently in progress.

In addition to the above joint venture, Spooner and Noble together, through their newly-incorporated, wholly-owned American subsidiaries, Spooner Minerals Inc. and Noble Resources Inc., are carrying out a limited exploration programme exclusive of Southern Pacific properties.

Consolidated Durham Mines & Resources Limited

In January 1971, Consolidated Durham Mines & Resources Limited successfully completed a public offering of its shares to raise approximately $1,500,000 for the purpose of bringing its Lake George Antimony property into production. Shaft sinking and mill construction are now well under way. Most of the mining and mill equipment has now been purchased and is either at the mine site or in transit. The project is presently on schedule and within budget for production to begin in the summer of 1971. In addition to presently having a significant equity interest in Consolidated Durham, with options to increase its position, Spooner is the manager of this project and will receive 15% of the net profits as a management fee for a period of five years. This agreement is renewable at Spooner's option for an additional five years.

New Brunswick Uranium Metals & Mining Limited

In October 1970, a significant copper-zinc-silver discovery was made by Falconbridge Nickel Mines Limited on New Brunswick Uranium's claims in the Sturgeon Lake Area of Northwestern Ontario. The market value of Spooner's investment in this company has increased significantly.

Canadian Arctic Islands

The presence of a potentially economic gas discovery on King Christian Island, as announced recently by Panarctic Oils Limited, provides further confirmation of hydrocarbon accumulation in the proximity of Spooner's interests in acreage located on Ellef Ringnes Island in the Canadian Arctic.

Toronto, Canada
March 17, 1971

AR20

SPOONER

MINES AND OILS LIMITED

INTERIM REPORT

SIX MONTHS ENDED DECEMBER 31

1970

SPOONER MINES AND OILS LIMITED

Statement of Source and Application of Funds

For the Six Months Ended December 31, 1970

(with Comparative Figures to December 31, 1969)
(unaudited)

	1970	1969
SOURCE OF FUNDS		
Issue of capital stock	$145,210	$ —
Sale of investments	39,140	7,000
Interest earned	5,680	30,503
Recovery of advances to other companies	290,300	—
Other items	3,135	3,769
	483,465	41,272
APPLICATION OF FUNDS		
Operating loss from oil and gas operations	17,773	16,455
Administrative expenses	40,892	42,360
Mining exploration expenditures	41,625	162,981
Oil and gas lease and development expenditures	17,240	128,138
Interest in and advances to other companies	395,000	27,500
Mining claims acquisitions	—	119,000
Other items	1,000	—
	513,530	496,434
DECREASE IN WORKING CAPITAL	(30,065)	(455,162)
WORKING CAPITAL AT JUNE 30	240,966	1,419,585
WORKING CAPITAL AT DECEMBER 31	$210,901	$ 964,423

Approved on behalf of the Board:

Toronto, Ontario
March 12, 1971

V. N. Harbinson, Director
F. D. Corman, Director

Progress Report

Ungava Area, Quebec

In late 1969 Spooner acquired by staking 1,192 claims in the Ungava area of New Quebec. In 1970 these claims became part of a joint venture agreement with Imperial Oil Enterprises Ltd. a wholly-owned subsidiary of Imperial Oil Ltd. on the basis that Imperial Oil Enterprises could earn up to a 75% interest in the claims by spending $400,000 on the property by December 31, 1973. The agreement ensures that Spooner's interest is protected if large capital sums are required to bring the property to production.

Results from the 1970 programme carried out by Imperial Oil were quite encouraging. To date twenty-two target areas have been selected after study of geophysical and geochemical surveys. The 1971 programme will be carried out between late April and October during which time eleven of the targets will be drilled and the other eleven will be stripped and trenched. Further geophysical and geochemical work is also anticipated.

Sturgeon Lake Area, Northwestern Ontario—40% Interest

An agreement has now been reached, subject to final signature, on the 484 claim group in the Sturgeon Lake Area of Northwestern Ontario with Graenges Exploration (Canada) AB, a wholly-owned subsidiary of Graenges AB, a Swedish metals and mining company. Under the terms of the agreement, Graenges has the right to earn a 60% interest in the Spooner Group's claims by spending $500,000 on exploration of the property over a three-year period. Line cutting and ground geophysics are now in progress.

Western United States

Work is continuing on a favourable basis for the Spooner-Noble/Parnasse (Penarroya) joint venture on lands optioned from the Southern Pacific Company in the States of Nevada and California. Twelve mineral leases covering in excess of 5,000 acres are currently in good standing. In addition, approximately 561 acres of land have been leased from the Government of California and 272 claims have been staked or